

**RULES  
OF  
TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE  
DIVISION OF INSURANCE**

**CHAPTER 0780-1-41  
TENNESSEE CAPTIVE INSURANCE COMPANIES**

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**0780-1-41-.01 PURPOSE.**

The purpose of this rule is to adopt a form letter of credit which may be used by captive insurance companies that wish to file such letters of credit in lieu of depositing cash or securities representing the capital required by T.C.A. § 56-13-116.

**Authority:** T.C.A. §§56-13-116 and 56-13-129. **Administrative History:** Original rule filed May 10, 1978; effective June 9, 1978. Repeal and new rule filed March 16, 2005; effective May 30, 2005.

**0780-1-41-.02 REQUIRED FORM LETTER OF CREDIT.**

A captive insurance company that wishes to file a letter of credit in lieu of depositing cash or securities with the commissioner in an amount representing the capital required by T.C.A. § 56-13-116 must use the form Captive Insurance Company Irrevocable Letter of Credit, hereby made a part of this Chapter as an appendix hereto, or a form that substantially complies with such form.

**Authority:** T.C.A. §§ 56-13-116 and 56-13-129. **Administrative History:** Original rule filed March 16, 2005; effective May 30, 2005.

## APPENDIX A

## CAPTIVE INSURANCE COMPANY

## IRREVOCABLE LETTER OF CREDIT

&lt;Name of Bank&gt;

&lt;City and State&gt;

Letter of Credit No. \_\_\_\_\_

Commissioner of Commerce and Insurance  
State of Tennessee  
Date\_\_\_\_\_

Commissioner:

1. We hereby establish our IRREVOCABLE LETTER OF CREDIT in your favor for the account of <Name of Tennessee Captive Insurance Company> up to the aggregate amount of \$1,000,000 available by your draft(s) drawn on us, at sight, bearing the above number of this IRREVOCABLE LETTER OF CREDIT. This IRREVOCABLE LETTER OF CREDIT shall expire at our Letter of Credit Department, <City & State>, at our close of business on <Date>, unless as hereinafter extended.
2. This IRREVOCABLE LETTER OF CREDIT is issued pursuant to the provisions of T.C.A. §§ 56-13-101, *et seq.*, as amended, The Tennessee Captive Insurance Company Act of 1978, and on behalf of the above mentioned Tennessee Captive Insurance Company which is applying for a Certificate of Authority to engage in the insurance business in the State of Tennessee as a captive insurance company.
3. It is a condition of this IRREVOCABLE LETTER OF CREDIT that it shall be automatically extended for additional one (1) year periods unless at least ninety (90) calendar days prior to the then relevant expiration date we have advised you in writing that we elect not to extend. In that event, you may draw hereunder on or prior to the then relevant expiration date, up to the full amount then available hereunder, against your sight draft(s) on us, bearing the number of this IRREVOCABLE LETTER OF CREDIT.
4. It is a further condition of this IRREVOCABLE LETTER OF CREDIT that each automatic extension shall be measured from the then relevant expiration date or relevant expiration date, even though such date be not a business day in <City & State> for this Bank. It is also a condition of this IRREVOCABLE LETTER OF CREDIT that, for the purpose of drawing hereunder, if the then relevant expiration date is a non-business day for our Bank, drawing may be made not later than our next immediately following business day.
5. This IRREVOCABLE LETTER OF CREDIT sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified, amended or amplified by reference to any note, document, instrument or agreement referred to herein or in which this IRREVOCABLE LETTER OF CREDIT is referred to or to which this IRREVOCABLE LETTER OF CREDIT relates and any such reference shall not be deemed to incorporate herein by reference to any note, document, instrument or agreement.

Each sight draft so drawn and presented shall be promptly honored by us if presented on or prior to the above stated expiration date or any extension thereof as above provided.